Ithaca Oil and Gas Limited
Financial Statements for the year ended 31 December 2021

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General Information

Directors
A Bruce (appointed 20 September 2021)
I Lewis (appointed 9 April 2023)
G Myerson (appointed 14 June 2021)

Company Secretary
Pinsent Masons Secretarial Limited
1 Park Row
Leeds
England
LS1 5AB

Independent Auditor
Deloitte LLP
1 Union Wynd
Aberdeen
AB10 1SL

Bankers
BNP Paribas
London Office
3 Harewood Avenue
London
NW1 6AA

Solicitors
Pinsent Masons LLP
13 Queen's Road
Aberdeen
AB15 4YL

Registered Office
1 Park Row
Leeds
England
LS1 5AB

Strategic Report for the year ended 31 December 2021

Principal activities and review of the business

The principal activity of Ithaca Oil and Gas Limited ("the Company") during the year was appraisal and development of, and production from, North Sea oil and gas properties.

Ithaca Oil and Gas Limited is an oil and gas appraisal, development and production company active in the United Kingdom's Continental Shelf ("UKCS"). The Company has a 36.7% operated interest in the Alba field, a 21.4% non-operated interest in the West Don field and a 40% non-operated interest in the Don South West field. On 30 November 2021, the Group completed the acquisition of an additional 13.3% interest in the Alba field from Mitsui E&P UK Limited increasing the Company's interest in the field from 23.4% to 36.7%.

The goal of the Company, in the near term, is to maximise production from existing fields and achieve early production from the development of existing discoveries on licenses held by the Company, to originate and participate in exploration on licenses held by the Company that have the potential of making significant contributions to future production, and to consider other opportunities for growth as they are identified by the Company.

Given the continuing challenges in relation to COVID-19 through 2021 and the volatility of oil prices, the main focus of the Company's response to these issues centred on maintaining the health of the workforce and reducing the risk of spreading the virus, whilst at the same time preserving the operational and financial resilience of the business.

Commodity prices have increased compared to 2020 which has generated higher oil and gas revenues in 2021 for the Company.

Company financial key performance indicators

	Year ended 31 December 2021	Year ended 31 December 2020
Production (barrel of oil equivalent - boe)		
Production (thousands of barrels of oil equivalent - mboe)	614	666
Production (barrels of oil equivalent per day - boepd)	1,682	1,825
Average oil realised price ($/barrel of crude oil -bbl)	65	44

Production

The Company's production in 2021 was 613,930 boe (2020: 666,455 boe), a decrease of 8% from the previous year. There were no significant factors contributing to the reduction other than natural decline, the impact of the acquisition in the period was minimal given the timing of completion on 30 November.

Price

Average realised oil prices increased to $65/bbl in 2021 in line with market movement (2020: $44/bbl). This takes into account the increase in average Brent market price from $42/bbl in 2020 to $71/bbl in 2021.

Company financial results

Income Statement

Revenue increased by 2% from $33.7 million in 2020 to $34.4 million for the year ended 31 December 2021. The increase reflects the increase in realised prices offset with the decrease in production.

Cost of sales increased by $8.3 million to $40.9 million in 2021 compared to 2020, the main drivers for the movement was an increase in operating costs offset by the movement in oil inventory.

During 2021, there was a $23.6 million gain on bargain purchase in relation to the Alba acquisition of additional equity.

Statement of Financial Position

The Company is in a net assets position at the end of 2021 of $2,274.9 million ($2,238.6 million net assets in 2020). The movement has primarily been driven by the loss made in the year.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are consistent with the principal risks of Ithaca Energy plc ("the Group") and are not managed separately. Refer to the Directors' Report for further details.

Section 172 statement

From the perspective of the Board, as a result of the Group governance structured whereby the entity Board is embedded within the Parent Company Board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Parent Company Board in relation to both the Group and to this entity.

Specific considerations in relation to the Company, with reference to the requirements of s172, are set out below. As overall context, as a 100% owned subsidiary of the Group, which holds non-operated interests in production and development assets, the interests of the Company and the Group are closely aligned.

The likely consequences of any decision in the long term: the key consideration in this area is any decision made regarding the future of the production and development assets held by the Company to achieve the ambitions of the Group.

Decisions in this regard are taken at the Parent Company level. Decisions regarding payment of any dividends by subsidiary companies of the Parent Company are taken at a Group level based upon an assessment by the Group's finance team, taking into account a range of factors, including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the Parent Company's shareholders as a supplier of long-term equity capital to the Company.

The interests of the Company's employees: this is not relevant as the Company has no employees.

The need to foster the Company's business relationships with suppliers, customers and others: this is not relevant as the Company has no significant third party suppliers, other than its joint venture partners, for which relationships are managed at the Group level, the Company's relationships with its external customers are also managed at a Group level.

The impact of the Company's operations on the community and the environment: the impact of the Company's operations on the community and the environment are considered by the Parent Company Board.

The desirability of the Company maintaining a reputation for high standards of business conduct: Although the Company has no employees and has limited suppliers and customers, the Directors continue to provide oversight governance of all Companies within the Group to ensure that they comply with the Group's policies and maintain high standards of business conduct. The subsidiaries provide regular updates on their activities to the Directors. Any investment or acquisition decisions taken by the Directors are made sure they are viable by reference to the high standards of business conduct and would be beneficial to the Group and its subsidiaries in the longer term.

The need to act fairly as between members of the Company: the Company's activities support the wider strategy of the Group and, owing to the fact the Company is a wholly owned subsidiary of the Parent Company, the Directors are required only to balance the interests of corporate shareholders that are themselves wholly owned subsidiaries of Ithaca Energy plc, rather than any third party members.

To the extent necessary for an understanding of the development, performance and position of the entity, and explanation of how the Parent Company Board has considered the matters set out in s172 (for the Group and for the entity) is set out on page 32 of Ithaca Energy plc's 2022 Annual Report and Accounts, which does not form part of this report.

Strategic Report for the year ended 31 December 2021

Energy and carbon reporting

Under The Large and Medium-Size Companies and Groups (Accounts and Reports) Regulations 2008 we are required to report all sources of greenhouse gas (GHG) emissions and energy usage.

During the year, the Group formalised plans to significantly reduce emissions and exceed industry targets by optimising the current portfolio in the short-term, and fundamentally transitioning the portfolio in the medium to long-term. We acknowledge that the energy transition is a fundamental challenge to our industry and the targets we have set for decarbonisation are challenging.

The Group's priority is to provide a safe and healthy working environment for all its employees, contractors and other personnel working for the Group, while simultaneously minimising the environmental impact of the Group's operations by operating in an ever-cleaner manner.

Ithaca Energy has a target of achieving Net Zero operations on a Scope 1 and Scope 2 basis by 2040, ten years ahead of the NSTD commitments, with several interim targets. The Group is targeting a reduction of Scope 1 and 2 emissions of 25% from operated assets by 2025 using a 2019 baseline, and 50% by 2030 on a net-equity basis (which includes emissions from non-operated Joint Ventures) using the NSTD-aligned 2018 baseline. As of the end of 2021, the Group has reduced its Scope 1 and Scope 2 emissions by 12 % compared with 2019 baseline.

In the short-term, our focus is on delivering operational improvements within our current portfolio of producing fields. Through these initiatives, we are aiming to achieve a target of reducing our Scope 1 and Scope 2 carbon dioxide (CO2) and carbon dioxide equivalent (CO2e) emissions, from our operated assets, by 25% in 2025 (against a 2019 baseline), which would exceed the NSTD target of 10% reduction (against a 2018 baseline). Identification of opportunities is ongoing to reduce CO2e emissions and help achieve this target, with additional activities planned to deliver further reductions in the longer-term.

In the medium term we plan to shift to lower emission intensity assets. As higher-emission intensity assets such as FPF-1 and Alba (which is operated by the Company) come to the natural end of their life, they will be replaced by bringing on stream lower-emission intensity assets such as Rosebank and Cambo. This revitalisation of Ithaca Energy's portfolio, with a focus on efficient, low emissions-intensity assets, will be key to achieving a 50% reduction in emissions on a Scope 1 and 2 basis, by 2030 in line with NSTD targets (on a net equity interest basis versus 2018 baseline).

In the long-term, Ithaca Energy aims to achieve Net Zero by 2040 on a Scope 1 and 2 basis (based on net equity interests in all of our operated and non-operated fields), ten years ahead of the NSTD commitments.

The key enabler of achieving this target is anticipated to be electrification of our long-life producing fields, where technically and commercially viable. These plans are subject to investment decisions which will be made on an asset-by-asset basis considering factors such as regulatory and fiscal stability, in addition to assessment of the environmental benefits and regular investment approval metrics. Targeted use of carbon offsets will also be considered for residual long-term emissions where physical abatement is not deemed viable.

The Company has reported on all of the emission sources within its operational control required under the Companies Act 2006 Regulations 2013 and The Companies (Directors' Report) (Energy and Carbon Report) Regulations 2018. Ithaca has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. Approximately 100% of reported emissions relate to emissions from the UK and offshore area, metrics are on a 100% basis for the Company's operated asset (Alba) and include the onshore office.

Scope 1 + 2 emissions for the Company have reduced by 2% to 530,391 tCO2e in 2021 (539,766 tCO2e in 2020):

	2021	2020
Scope 1 emissions (tCO2e)	530,391	539,766
Scope 2 emissions (tCO2e)	-	-
Scope 1 + 2 emissions (tCO2e)	530,391	539,766
Carbon Intensity (kgCO2e/BOE)	46	56
Energy Consumption (MWh)	7,789	8,161

Given that Ithaca Oil and Gas Limited only holds shares in non-operated producing assets, there is limited control over these, and emissions cannot be calculated and presented individually. However, full Energy and Carbon Reporting disclosures for 2021 have been included as the comparative period in the 2022 Annual Report and Accounts for Ithaca Energy plc.

Approved by the Board and signed on its behalf by:
DocuSigned by:
42BE850B5897453...
Iain CS Lewis
Director

13 October 2023

Directors' Report for the year ended 31 December 2021

The Directors present their report and the financial statements of Ithaca Oil and Gas Limited (the "Company") for the year ended 31 December 2021.

Results and dividends

The Company's loss for the financial year was $8.5 million (2020: profit $47.8 million) which has been taken to reserves. The Directors do not recommend payment of a dividend (2020: $nil) and have not paid one post year end.

Future developments

Management's primary area of focus for 2022 and beyond, with regards to Alba, is to continue to operate safely, efficiently and maximise production.

The Group will also advance the other existing exploration projects and developments over the year as well as evaluating any potential opportunities to expand the asset portfolio in order to continue to deliver shareholder value.

The Company has a 60% interest in the development field Fotla, development plans are ongoing. The field, which is estimated to hold mid-case recoverable resources of 21 million barrels of oil equivalent is currently under evaluation, with first production targeted in 2028 and FID expected late 2024. The conceptual field development plan consists of a subsea tieback to existing infrastructure.

Financial risk management

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

Commodity risk management
Commodity price risk related to crude oil prices is the Company's most significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows.

Foreign exchange rate risk
The Company is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in US Dollars. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Company is exposed to gains or losses on non USD amounts and on statement of financial position translation of monetary accounts denominated in non USD amounts upon spot rate fluctuations from quarter to quarter.

Credit risk
The Company's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks and are unsecured.

The Company applies IFRS 9 simplified model for measuring the expected credit loss which uses a lifetime expected loss allowance and is measured on the days past due criterion. Having reviewed past payments combined with the credit profile of its existing trade debtors in order to assess the potential for impairment, the Company has concluded that this is insignificant as there has been no history of default or disputes arising on invoiced amounts since inception and as such the credit loss percentage is assumed to be almost zero. No provision for doubtful accounts against these sales has been recorded as at 31 December 2021 (2020: $nil).

Liquidity risk and cash flow risk
The Company along with the parent company (Ithaca Energy (UK) Limited) (see note 21) actively maintains a view on the future to optimise the mixture of debt and equity that will ensure the Company has sufficient available funds to develop its existing licenses and participate in future opportunities (see note 3).

Geo-political risk
The Company along with the rest of the Group are exposed to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption. These may in turn cause production to decline, limit the Group's ability to pursue new opportunities, affect the recoverability of its assets or cause it to incur additional costs. Political instability, changes to the regulatory environment or taxation, international trade disputes and barriers to free trade, international sanctions, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or future epidemic or pandemic) may disrupt or curtail its operations or development activities.

Climate Change
Impacts related to climate change and the transition to a lower carbon economy may include:

- demand for the Company's commodities decreasing, due to policy, regulatory (including carbon pricing mechanisms), legal, technological, market or societal responses to climate change, resulting in a proportion of a CGU's reserves becoming incapable of extraction in an economically viable fashion;
- physical impacts related to acute risks resulting from increased severity of extreme weather events, and those related to chronic risks resulting from longer term changes to climate patterns.

The Company continues to develop its assessment of the potential impacts of climate change and the transition to a lower carbon economy. Where sufficiently developed, the potential financial impacts on the Company of climate change and the transition to a lower carbon economy have been considered in the assessment of indicators of impairments, including:

- the Company's current assumptions relating to demand for commodities and carbon pricing and their impact on the Group's long term price forecasts;
- the Company's operational emissions reduction strategy.

Post year end events

On 27 February 2022, a conflict broke out between Russia and Ukraine. Following this, numerous governments around the world have implemented sanctions against Russia and Belarus. The Directors have considered the implications of the ongoing conflict on key assumptions and judgements. This consideration has been made on the recognition and measurement of accounting estimates and the related financial statements disclosure. The assessment included specific review of the supply chain, funding sources, customer, credit risk, cyber security, shareholders, and register of bondholders. The assessment concluded that the conflict is not expected to have a significant impact on the Company.

An Energy Profits Levy ("EPL" or "Levy") was introduced on 26 May 2022 applying a Levy of 25% to the profits of oil and gas companies until 31 December 2025. On 17 November 2022 the rate of the Levy was increased to 35% and extended to 31 March 2028. On 9th June 2023 the Government announced a price floor for the Levy, if both oil price and gas price falls below $71.40/bbl and 54p/therm respectively for two consecutive quarters the Levy will fall away, this is not expected to happen prior to 31 March 2028. The Levy is charged upon oil and gas profits calculated on the same basis as Ring Fence Corporation Tax ("RFCT") however excludes relief for decommissioning and finance costs. RFCT losses and Investment Allowance are not available to offset the EPL. The impact of the Levy would be to increase the deferred tax liability by $19.8 million.

On 3 May 2023, the North Sea Transition Authority (NSTA) granted approval for the transfer of the working interest in the following assets into the Company and on 1 June 2023 the transaction to transfer 14.4% of Harrier and Stella from Ithaca Minerals (North Sea) Limited was executed. Following this approval, assets will be transferred at market value.

On 12 July 2023, the Group announced the signing of a Sale and Purchase with Spirit Energy Resources Limited, the result of which is Ithaca Energy will become the sole owner of the Fotla discovery following completion of the acquisition of the remaining 40% stake. As part of the Sale and Purchase agreement, Ithaca has also increased its interest in three exploration licences (P.213 Area C, P.345 Area A and P.2536). Completion of the acquisition is subject to the satisfaction of certain conditions including regulatory approval. Upon completion it will bring Ithaca's working interest in Fotla to 100%, giving the Company full control over pre-final investment decision (FID) work and timing.

Directors' Report for the year ended 31 December 2021 (continued)

Directors

The Directors who held office during the year and up to the date of this report are given below:
G Forbes (resigned 31 January 2021)
I Lewis (appointed 9 April 2023)
B Dunnett (appointed 24 August 2020; resigned 14 September 2021)
G Myerson (appointed 14 June 2021)
D Crawford (appointed 1 February 2021; resigned 1 September 2022)
A Bruce (appointed 20 September 2021)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The Directors have obtained confirmation from Ithaca Energy plc that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid until 31 December 2024.

To conclude on the going concern for the Company, the Directors have considered the liquidity and solvency of Ithaca Energy plc and have considered going concern at the Group level.

The Directors closely monitor the funding position of the Company and Group throughout the year including monitoring continued compliance with covenants as described in the Group Annual Report and Accounts, and available facilities to ensure sufficient headroom to fund operations.

Management have considered a number of risks applicable to the Group that may have an impact on the Group's, and therefore the Company's, ability to continue as a going concern. Short-term and long-term cash forecasts are produced on a weekly and quarterly/annual basis respectively along with any related sensitivity analysis. This allows proactive management of any business risks including liquidity risk.

The Directors consider the preparation of the financial statements on a going concern basis to be appropriate. This is due to the following key factors relevant to the assessment of the Group's ability to continue as a going concern and therefore its ability to provide support if required to the Company:

- Strong commodity markets and continuing robust commodity price backdrop despite lower prices during H1 2023 and a well hedged portfolio over the next 12 months;
- A new 5-year $100 million loan agreement with BP entered into after the end of H1 2023;
- Reserves Based Lending ("RBL") liquidity headroom for the Group as at October 2023 of $765 million ($100 million drawn versus $865 million available), plus $148 million cash; and
- Strong operational performance and well-diversified portfolio.

Owing to the on-going fluctuations in commodity demand and price volatility, management prepared sensitivity analysis to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fell due. The Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 31 December 2024 to continue trading. In addition, mitigation strategies within the control of management include the reduction in uncommitted capital expenditure, variable opex savings in the low production scenario, the cancellation or deferral of future dividends and further potential to refinance the Group's borrowing arrangements.

Based on their assessment of the Group's financial position to the period 31 December 2024, the Company's Directors believe that the Group, and the Company, will be able to continue in operational existence and provide any necessary financial support to the Company for the 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may vary from legislation in other jurisdictions.

Directors' confirmations

The Directors in office at the date of approval of this report confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company auditor is unaware; and
- the Directors have taken all the necessary steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpretated in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditor

Pursuant to section 485 of the Companies Act 2006, a resolution to reappoint the auditor, Deloitte LLP, will be put to a General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:
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Iain CS Lewis
Director

13 October 2023

Independent Auditor Report to the members of Ithaca Oil and Gas Limited

Report on the financial statements

Opinion

In our opinion the financial statements of Ithaca Oil and Gas Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor Report to the members of Ithaca Oil and Gas Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing minutes of the technical committee and reviewing correspondence with HMRC and the licensing authority on oil and gas exploration, production and decommissioning.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

G. Hollis

Graham Hollis ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
16 October 2023

Income Statement
For the year ended 31 December 2021

	Note	2021 US$'000	*Restated 2020 US$'000
Revenue	4	34,352	33,666
Cost of sales	5	(40,869)	(32,521)
Gross (loss)/ profit		(6,517)	1,145
Impairment reversal/(charge)	10	6,093	(4,590)
Administrative expenses	6	(538)	(2,041)
Movement on contingent consideration	15	(15,880)	-
Gain on bargain purchase	20	23,554	-
Foreign exchange loss		(3,322)	(10,378)
Operating profit/(loss)		3,390	(15,864)
Finance costs	7	(14,861)	(15,726)
Finance income	8	-	45,725
(Loss)/profit before taxation		(11,471)	14,135
Taxation	17	2,947	33,702
(Loss)/profit for the financial year		(8,524)	47,837

The results above are entirely derived from continuing operations. The result for the current and prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

The notes on pages 13 to 22 are an integral part of these financial statements.

**The restatement of the prior year is explained in detail in note 19.*

Statement of Financial Position
As at 31 December 2021

	Note	2021 US$'000	*Restated 2020 USD$'000
Non-current assets			
Property, plant & equipment	10	90,585	54,882
Exploration & evaluation assets	11	30,834	9,537
Investments	21	1,611,657	1,611,657
Deferred tax asset	17	151,780	170,718
Trade and other receivables	13	888,787	869,072
		2,773,643	2,715,866
Current assets			
Cash and cash equivalents		21,520	278
Trade and other receivables	13	38,487	26,479
Deposits, prepayments and other debtors		35	497
Inventories	9	44,279	6,687
		104,321	33,941
Total assets		2,877,964	2,749,807
Current liabilities	14	(63,631)	(29,083)
Net current assets		40,690	4,858
Total assets less current liabilities		2,814,333	2,720,724
Creditors: amounts falling due after more than one year			
Decommissioning liabilities	12	(523,533)	(479,806)
Contingent consideration	15	(15,880)	(2,350)
		(539,413)	(482,156)
Net assets		2,274,920	2,238,568
Capital and reserves			
Called up share capital	16	485,497	485,497
Share premium	16	216,568	216,568
Translation reserve		(218,067)	(218,067)
Retained earnings		1,790,922	1,799,446
Total shareholders' funds		2,274,920	2,283,444

The financial statements on pages 11 to 22 were approved by the Board of Directors on 13 October 2023 and signed on its behalf by:

*The restatement of the prior year is explained in detail in note 19.

DocuSigned by:

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Iain CS Lewis
Director
Ithaca Oil and Gas Limited - Registered Number 01546623

The notes on pages 13 to 22 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital US$'000	Share premium US$'000	Translation reserve US$'000	*Restated Retained earnings US$'000	*Restated Total shareholders' funds US$'000
Balance, 1 January 2019	485,497	216,568	(268,845)	712,102	1,145,322
Profit for the financial year (restatement)	-	-	-	1,749,850	1,749,850
Share based payment	-	-	-	1,759	1,759
Other comprehensive income - Translation of operations	-	-	50,778	-	50,778
Dividends paid	-	-	-	(712,102)	(712,102)
Balance, 31 December 2019	485,497	216,568	(218,067)	1,751,609	2,235,607
Profit for the financial year	-	-	-	47,837	47,837
Balance, 31 December 2020	485,497	216,568	(218,067)	1,799,446	2,283,444
Loss for the financial year	-	-	-	(8,524)	(8,524)
Balance, 31 December 2021	485,497	216,568	(218,067)	1,790,922	2,274,920

The notes on pages 13 to 22 are an integral part of these financial statements.

*The restatement of the prior year is explained in detail in note 19.

Notes to the financial statements for the year ended 31 December 2021

1. NATURE OF OPERATIONS

Ithaca Oil and Gas Limited ("the Company"), is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The Company is involved in the appraisal, development and production of oil & gas in the North Sea. The registered office address of the Company is 1 Park Row, Leeds, LS1 5AB.

2. BASIS OF PREPARATION

These financial statements of the Company have been prepared on a going concern basis in accordance with United Kingdom Accounting Standards, FRS 101 and the Companies Act 2006 ("the Act") as applicable to companies using FRS 101.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addressed the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IASB adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 10(d), 10(f), 16, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
(b) the requirements of IAS 7 'Statement of Cash Flows';
(c) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
(d) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
(f) the requirements of IFRS 7 'Financial Instruments: Disclosures';
(g) the requirements of paragraphs 52 and 58 of IFRS 16 'Leases';
(h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-(f) and 135(c)-(e) of IAS 36 'Impairment of Assets'; and
(i) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Going concern

The Directors have obtained confirmation from Ithaca Energy plc that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid until 31 December 2024.

To conclude on the going concern for the Company, the Directors have considered the liquidity and solvency of Ithaca Energy plc and have considered going concern at the Group level.

The Directors closely monitor the funding position of the Company and Group throughout the year including monitoring continued compliance with covenants as described in the Group Annual Report and Accounts, and available facilities to ensure sufficient headroom to fund operations.

Management have considered a number of risks applicable to the Group that may have an impact on the Group's, and therefore the Company's, ability to continue as a going concern. Short-term and long-term cash forecasts are produced on a weekly and quarterly/annual basis respectively along with any related sensitivity analysis. This allows proactive management of any business risks including liquidity risk.

The Directors consider the preparation of the financial statements on a going concern basis to be appropriate. This is due to the following key factors relevant to the assessment of the Group's ability to continue as a going concern and therefore its ability to provide support if required to the Company:

- Strong commodity markets and continuing robust commodity price backdrop despite lower prices during H1 2023 and a well hedged portfolio over the next 12 months;
- A new 5-year $100 million loan agreement with BP entered into after the end of H1 2023;
- Reserves Based Lending ("RBL") liquidity headroom for the Group as at October 2023 of $765 million ($100 million drawn versus $865 million available), plus $148 million cash; and
- Strong operational performance and well-diversified portfolio.

Cash flow forecast – base case assumptions:		H2 2023	2024
Average oil price	$/bbl	84	82
Average gas price	p/th	88	126
Average hedged oil price (including floor price for zero cost collars)	$/bbl	72	77
Average hedged gas price (including floor price for zero cost collars)	p/th	190	143

Owing to the on-going fluctuations in commodity demand and price volatility, management prepared sensitivity analysis to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fell due. The Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 31 December 2024 to continue trading. In addition, mitigation strategies within the control of management include the reduction in uncommitted capital expenditure, variable opex savings in the low production scenario, the cancellation or deferral of future dividends and further potential to refinance the Group's borrowing arrangements.

Based on their assessment of the Group's financial position to the period 31 December 2024, the Company's Directors believe that the Group, and the Company, will be able to continue in operational existence and provide any necessary financial support to the Company for the 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies

Interest in joint operations

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Company's interest in joint operations (e.g. exploration and production arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Revenue

The sale of crude oil, gas or condensate represents a single performance obligation, being the sale of barrels equivalent on collection of a cargo or on delivery of commodity into an infrastructure. Revenue is accordingly recognised for this performance obligation when control over the corresponding commodity is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products in the normal course of business, net of discounts, customs duties and sales taxes.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in United States Dollars, which is the Company's presentation currency as well as the functional currency.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial Instruments

All financial instruments are initially recognised at fair value on the statement of financial position. The Company's financial instruments consist of accounts receivable, accounts payable and accrued liabilities. Under IFRS 9, with the exception of derivatives and contingent considerations, all financial instruments are recorded at amortised cost based on an analysis of the business model and terms of financial assets. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents include investments with an original maturity of three months or less. In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventory

Inventories of materials are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the first-in, first-out method. Current hydrocarbon inventories are stated at net realisable value, which is based on estimated selling price less any further costs expected to be incurred to completion and disposal/sale. Non-current oil and gas inventories are stated at historic cost. Provision is made for obsolete, slow-moving and defective items where appropriate.

Intercompany

Balances with other companies of the Ithaca group are stated gross, unless both the following conditions are met;
- currently there is a legally enforceable right to set off the recognised amounts; and
- there is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and other receivables

Trade receivables are recognised and carried at the original invoiced amount, less any provision for estimated irrecoverable amounts.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses "ECLs" which uses a lifetime expected loss allowance for all trade debtors. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Provision for expected credit losses of receivables

A high level analysis, which considers both historical and forward looking qualitative and quantitative information is performed by the Company to determine whether the credit risk has significantly increased since the time any intercompany receivable was initially recognised. The Company considers the expected credit losses for the intercompany receivables to be minimal, in view that these related companies have no history of default and there is a mechanism in place for the funds to be flowed within the Ithaca group to settle intercompany balances with repayment being made on demand.

Trade and other payables

All other financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in interest and other income and finance costs respectively. This category of financial liabilities included trade and other payables and finance debt.

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies (continued)

Property, plant and equipment

Oil and gas expenditure – exploration and evaluation (E&E) assets

Geological and geophysical exploration costs are recognised as an expense as incurred. Costs directly associated with an exploration well are initially capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, freight costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continued to be carried as an asset. If it is determined that development will not occur, that is, the efforts are not successful, then the costs are expensed.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset. Upon internal approval for development and recognition of proved or sanctioned probable reserves, the relevant expenditure is first assessed for impairment and, if required, an impairment loss is recognised. The remaining balance is then transferred to development and production (D&P) assets. If development is not approved and no further activity is expected to occur, then the costs are expensed.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin and where the economic viability of that major capital expenditure depends on the successful completion of further exploitation or appraisal work in the area remain capitalised on the balance sheet as long as such work is under way or firmly planned.

Oil and gas expenditure – development and production (D&P) assets

Capitalisation

Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment, are capitalised as a D&P asset. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset.

Depreciation

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is calculated on a unit of production basis based on the proved and probable reserves of the asset. Any re-assessment of reserves affects the depreciation rate prospectively. Significant items of plant and equipment will normally be fully depreciated over the life of the field. However, these items are assessed to consider if their useful lives differ from the expected life of the D&P asset and should this occur a different depreciation rate would be charged.

Impairment

For impairment review purposes the Company's oil and gas assets are aggregated into cash-generating units (CGUs) in accordance with IAS 36. A review is carried out each reporting date for any indicators that the carrying value of the Company's assets may be impaired or previously impaired assets (excluding goodwill) where a reversal of a previous impairment may arise. For assets where there are such indicators, an impairment test is carried out on the CGU. The impairment test involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. The resulting impairment losses are written off to the statement of profit or loss. Previously impaired assets (excluding goodwill) are reviewed for possible reversal of previous impairment at each reporting date. The maximum possible reversal is capped at the net book value had the asset not been impaired in the past.

Maintenance expenditure

Expenditure on major maintenance refits or repairs is capitalised where it enhances the life or performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off, or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to the income statement as incurred.

Decommissioning liabilities

The Company records the present value of legal obligations associated with the retirement of long-term tangible assets, such as producing well sites and processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-term asset. Liabilities for decommissioning are recognised when the Company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and restore the site on which it is located, and when a reliable estimate can be made. Where the obligation exists for a new facility or well, such as oil & gas production or transportation facilities, the obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. In subsequent periods, the asset is adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The carrying amounts of the associated decommissioning assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred. The unwinding of discount in the net present value of the total expected cost is treated as an interest expense. Changes in the estimates are reflected prospectively over the remaining life of the field.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a reimbursement asset is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount recognised for the reimbursement may not exceed the amount of the provision.

Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. Taxable profit differs from net profit, as reported in the statement of profit or loss, because it excludes items of income or expense that are taxable or deductible in other accounting periods and it further excludes items of income or expenses that are never taxable or deductible.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at each balance sheet date.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and all available evidence is considered in evaluating the recoverability of these deferred tax assets.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities relating to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Group's share of the net assets acquired, the difference is recognised directly in the statement of income as a gain on bargain purchase.

Changes in accounting pronouncements

The Company has adopted all new and amended IFRS Standards effective in the financial statements for the period 1 January 2021 to 31 December 2021.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Non-current Liabilities and Covenants
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 4	Applying IFRS 9 with IFRS 4 'Insurance Contracts'
Amendments to IFRS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Costs of Fulfilling a Contract
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9

The Company does not expect that the adoption of the Standards and amendments listed above will have a material impact on the financial statements of the Company in future periods.

Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimates in impairment of oil and gas assets and goodwill
Determination of whether the Company's oil and gas assets (note 10) have suffered any impairment requires an estimation of the recoverable amount of the CGU to which oil and gas assets and goodwill have been allocated. Projected future cash flows are used to determine a fair value less cost to sell to establish the recoverable amount. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on internal view of forward curve prices that are considered to be a best estimate of what a market participant would use; discount rates which reflect management's estimate of a market participant post-tax weighted average cost of capital; and oil and gas reserves and resources on a risked basis as described above. Management's estimates of a market participant's view of pricing and discount rates are supported by an independent consultant (refer to note 9). With all other assumptions held constant, a 20% decrease in the commodity prices would result in a post-tax impairment of PP&E of $80.3 million at 31 December 2021.

Estimates in oil and gas reserves and contingent resources
The Company's estimates of oil and gas reserves and contingent resources, and the associated production forecasts, are used in the impairment testing of property plant and equipment, in the measurement of depletion and decommissioning provisions and in the determination of whether deferred tax assets are recoverable. The business of the Company is to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner. Estimates of oil and gas reserves and contingent resources require critical judgement. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells and estimates of future oil and gas prices all impact on the determination of the Company's estimates of its oil and gas reserves which could result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing.

For the purposes of depletion and decommissioning estimates, the Company uses proved and probable reserves; and for the purposes of the impairment tests performed and deferred tax asset recoverability, the Company considers the same proved and probable reserves as well as risked resource volumes. These risking adjustments are reflective of management's assessment of technical and commercial factors that reflect the value considerations of a market participant. Changes in estimates of oil and gas reserves and resources resulting in different future production profiles will affect the discounted cash flows used in impairment testing, the anticipated date of decommissioning, the depletion charges in accordance with the unit of production method and the recoverability of deferred tax assets. The sensitivity of the Company's impairment tests and deferred tax recoverability assessments to key sources of estimation uncertainty including reserves and resources is discussed below.

Decommissioning provision estimates
Amounts used in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements, technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively.

While the Company uses its best estimates and judgement, actual results could differ from these estimates. Expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The payment dates are uncertain and depend on the production lives of the respective fields. Management does not expect any reasonable change in the expected timing of decommissioning to have a material effect on the decommissioning provisions, assuming cash flows remain unchanged. Although decommissioning costs are expected to be incurred over the next 40 years it is anticipated that approximately 33% of the liability will be paid within the next five years. A nominal discount rate of 2.5% (2020: 3%) is used to discount the estimated costs. The inflation rate applied to discount the estimated costs is 2.0% (2020: 2.0%). Given the long-term nature of the decommissioning liabilities and the historic compounded inflation rates in the industry, management do not believe that the current short-term inflationary pressures will have a material impact on the decommissioning liabilities of the Group. A variation in this discount rate of 1% would change the decommissioning liabilities by approximately $3 million (2020: $5 million), and is not expected to have a material impact on the corresponding decommissioning reimbursement asset. For further details regarding the estimated value, inputs and assumptions refer to note 11. Given the large number of variables involved, management consider that it is not practical to provide sensitivities for the various other individual assumptions.

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies (continued)

Other areas of estimation

The key assumptions concerning the future, and other sources of estimation uncertainty at the reporting period, but are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Taxation estimates

The Company's operations are subject to a number of specific tax rules which apply to exploration, development and production. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of estimates and judgements including those required in calculating the effective tax rate. The Company recognises deferred tax assets on future decommissioning costs, unused tax losses and investment allowances where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the likelihood of future taxable profits and the amount of deferred tax that can be recognised.

4. REVENUE

	2021 US$'000	2020 US$'000
Oil sales	34,346	33,628
Other income	6	38
	34,352	33,666

Revenues arose wholly in the United Kingdom.

5. COST OF SALES

	2021 US$'000	2020 US$'000
Operating costs	(37,605)	(16,675)
Movement in oil and gas inventory	12,949	(2,293)
Depletion, depreciation and amortisation	(16,213)	(13,553)
	(40,869)	(32,521)

6. ADMINISTRATIVE EXPENSES

	2021 US$'000	2020 US$'000
General & administrative	(538)	(2,041)

(a) Directors' remuneration

The directors of the Company were employees of Ithaca Energy (UK) Limited during 2020 and 2021 and received remuneration from Ithaca Energy (UK) Limited. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of Ithaca Energy (UK) Limited for either the current or prior year.

(b) Employees

The Company had no employees in 2021 (2020: nil) with all services provided via Ithaca Energy (UK) Limited.

(c) Services provided by the Company's Auditor

	2021 US$'000	2020 US$'000
Fees payable for the audit of the Company's financial statements	(68)	(53)

7. FINANCE COSTS

	2021 US$'000	2020 US$'000
Accretion (note 12)	(14,214)	(14,313)
Other	(647)	(1,413)
	(14,861)	(15,726)

8. FINANCE INCOME

	2021 US$'000	*Restated 2020 US$'000
Interest receivable from group undertakings	-	45,725

The interest bearing loan of $1,611,657k that incurred interest in the prior year was transferred to Ithaca Exploration Limited on 19 October 2020, after which the remaining intercompany balances are not interest bearing.

*The restatement of the prior year is explained in detail in note 19.

9. INVENTORIES

	2021 US$'000	2020 US$'000
Hydrocarbon inventories/underlift	30,119	2,048
Materials inventory	23,068	13,687
Provision for obsolete materials inventory	(8,908)	(9,048)
	44,279	6,687

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. PROPERTY, PLANT, EQUIPMENT

	Development & Production Oil and Gas assets	Building	Total
	US$'000	US$'000	US$'000
Cost			
At 1 January 2021	710,881	-	710,881
Additions	2,484	15,702	18,186
Acquisitions (note 20)	21,833	-	21,833
Disposals	-	(1,675)	(1,675)
Decommissioning revision to estimate (note 12)	11,236	-	11,236
At 31 December 2021	746,434	14,027	760,461
DD&A & Impairment			
At 1 January 2021	(655,999)	-	(655,999)
Charge for the year (note 5)	(14,603)	(1,610)	(16,213)
Disposals	-	2,336	2,336
At 31 December 2021	(670,602)	726	(669,876)
NBV at 31 December 2020	54,882	-	54,882
NBV at 31 December 2021	75,832	14,753	90,585

The impairment credit in the income statement of $6.1 million relates to Heather and Strathspey decommissioning revisions ($1.6m). These assets have no recoverable value following cessation of production so the movements have been recorded in the income statement. The remaining $4.5 million credit relates to an adjustment to correct historical intercompany balances with Ithaca Energy UK limited, a fellow group subsidiary.

An impairment review was carried out as part of an annual review of all of the Group's oil and gas assets in Q4 21. The review was carried out on a fair value less cost of disposal basis using risk adjusted cash flow projections discounted at a post-tax discount rate of 9.5% (2020: 9.75%). Following this review it was concluded that no impairment or impairment reversal was required.

The following assumptions were used at Q4 21 in developing the Group cash flow model and applied over the expected life of the respective fields:

	Post-tax discount rate assumption	2022	2023	2024	2025	2026
Oil	9.50%	$76/bbl	$69/bbl	$71/bbl	$72/bbl	$74/bbl
Gas	9.50%	164p/therm	99p/therm	68p/therm	61p/therm	56p/therm

*post 2026 an annual 2% increase is applied to the price assumption

With all other assumptions held constant, a 20% decrease in forecast revenues, illustrating lower commodity prices, would result in the PP&E assets being fully written down at 31 December 2021.

11. EXPLORATION AND EVALUATION ASSETS

	Exploration and evaluation assets
	US$'000
Cost	
At 1 January 2021	16,945
Additions	21,403
Disposals	(106)
At 31 December 2021	38,242
Impairment	
At 1 January 2021	(7,408)
At 31 December 2021	(7,408)
NBV at 31 December 2020	9,537
NBV at 31 December 2021	30,834

The exploration and evaluation asset balance relates mainly to the Fotla development ($20.6 million) and the Yeoman development ($7.5 million).

Notes to the financial statements for the year ended 31 December 2021 (continued)

12. DECOMMISSIONING LIABILITIES

	2021 US$'000	2020 US$'000
Balance, as at 1 January	(479,806)	(354,145)
Transfers	-	(54,821)
Acquisition addition (note 20)	(55,429)	-
Accretion	(14,214)	(14,314)
Revision to estimates	(11,236)	(66,998)
Decommissioning provision utilised	37,152	10,472
Balance, as at 31 December	(523,533)	(479,806)
Current		
Balance, beginning of period	(37,152)	-
Balance, end of period	(32,380)	(37,152)
Non-current		
Balance, beginning of period	(442,654)	(354,145)
Balance, end of period	(491,153)	(442,654)

In 2020 Don Southwest, West Don and Conrie assets were transferred into the Company resulting in an increase to the decommissioning provision of $54.8 million.

The total future decommissioning liability was calculated by management based on its net ownership interest in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. The decommissioning liability is re-measured each year using a pre-tax discount rate of 2.5 percent (2020: 3.0 percent) and an inflation rate of 2.0 percent (2020: 2.0 percent) over the varying lives of the assets to calculate the present value of the decommissioning liabilities. These costs are expected to be incurred at various intervals over the next 12 years (2020: 14 years).

The acquisition from Mitsui of Alba in the year resulted in an additional decommissioning liability being recognised of $55.4 million.

The revision to estimates movement of $11.2 million in the year is mainly driven by the decrease in the discount rate.

The economic life and the timing of the obligations are dependent on Government legislation, commodity price and the future production profiles of the respective production and development facilities.

13. TRADE AND OTHER RECEIVABLES

Debtors due within one year	2021 US$'000	*Restated 2020 US$'000
Trade debtors	16,454	17,536
Accrued income and other	22,033	8,943
	38,487	26,479
Debtors falling due after more than one year		
Amounts owed by group undertakings	888,787	869,072
	888,787	869,072

The amounts owed from Group undertakings are unsecured, interest free and are repayable on demand.

The Company regularly monitors all customer receivable balances outstanding in excess of 90 days for ECLs. As at 31 December 2021, substantially all accounts receivables are current, being defined as due in less than 90 days. The Company has no allowance for doubtful accounts as at 31 December 2021 (31 December 2020: $Nil).

*The restatement of the prior year is explained in detail in note 19.

14. CURRENT LIABILITIES

	2021 US$'000	2020 US$'000
Trade creditors	(16,323)	(7,264)
Accruals	(29,703)	(10,493)
Other payables	(17,605)	(11,326)
	(63,631)	(29,083)

The amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

15. OTHER LONG-TERM LIABILITIES

	2021 US$'000	2020 US$'000
Contingent consideration	(15,880)	(2,350)
	(15,880)	(2,350)

Contingent consideration includes liabilities in relation to the Yeoman/Marigold ($2.4 million) and Strathspey ($13.5 million) fields. The movement of $13.5 million in 2021 relates to the recognition of the liability for costs of decommissioning obligations triggered per the provisions within the Sale and Purchase agreement for Strathspey based on field development plan (FDP) and production milestones being met. The liability for Yeoman/Marigold of $2.4 million has been recognised on a risked basis, with the equivalent unrisked amounts totalling $17.0 million, being a payment of $11.0 million contingent on achieving FDP and a further $6.0 million on certain production criteria being met.

16. CALLED UP SHARE CAPITAL

Authorised share capital

Ordinary shares of £1	Number of common shares Number	Amount US$'000	Share premium US$'000
At 1 January 2020, 31 December 2020 & 31 December 2021	221,000,000	485,497	216,568

(a) Issued

The issued share capital is as follows:

Ordinary shares of £1	Number of common shares	Amount US$'000	Share premium US$'000
At 1 January 2020, 31 December 2020 & 31 December 2021	221,000,000	485,497	216,568

Translation reserve of $218,067k (2020: $218,067k) is in relation to foreign exchange from converting the Company in 2020 from a GBP to a USD functional and presentational currency. The change in currency was following an acquisition to align the Company with the Group and the functional currency of the base underlying transactions.

Notes to the financial statements for the year ended 31 December 2021 (continued)

17. TAXATION

	2021 US$000	2020 US$000
Current tax:		
Current period	(13,151)	-
Deferred tax		
Relating to the origination and reversal of temporary differences	3,562	(36,322)
Adjustments in respect of prior years	6,642	2,620
Tax on profit on ordinary activities	(2,947)	(33,702)

The tax on loss differs from the theoretical amount that would arise using the effective rate of tax applicable for UK ring fence oil and gas activities as follows:

	2021 US$000	*Restated 2020 US$000
(Loss)/profit on ordinary activities before taxation	(11,471)	14,135
(Loss)/profit at applicable UK tax rate of 40% (2020: 40%)	(4,588)	5,654
Non-deductible expenses / (non taxable income)	(5,507)	-
Financing costs not allowed for SCT	29	140
Prior period adjustment deferred tax	6,642	2,620
Investment allowance	192	-
Petroleum Revenue Tax	65	202
Non Ring Fenced items credit	-	(8,502)
Revised decommissioning estimated for retained liability	(45)	(21,952)
Group relief	-	(7,692)
Disposals	265	(4,172)
Total tax charge credit	(2,947)	(33,702)

The effective rate of tax applicable for UK ring fenced oil and gas activities in 2021 was 40% (2020: 40%) consisting of a corporation tax rate of 30% and supplementary charge rate of 10%.
The gross movement on the deferred tax account is as follows:

	2021 US$000	*Restated 2020 US$000
At 1 January	170,718	114,230
Income statement credit	(10,203)	33,702
Acquisition	(8,735)	22,786
At 31 December	151,780	170,718

The provision for deferred tax consists of the following deferred tax (liabilities) assets. The timing difference on Investment Allowance is included in accelerated tax depreciation.

	Accelerated Capital Allowances $'000	Tax losses $'000	Decommissioning Provision $'000	Deferred Gains $'000	*Restated Total $'000
At 1 January 2021	(22,746)	5,307	191,923	(3,766)	170,718
Prior period adjustment	(1,333)	(5,307)	-	-	(6,640)
Acquisition	(8,735)	-	-	-	(8,735)
(Charge)/credit to income statement	(12,058)	13,176	(4,681)	-	(3,563)
As at 31 December 2021	(44,872)	13,176	187,242	(3,766)	151,780

*The restatement of the prior year is explained in detail in note 19.

Deferred income tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

The UK losses do not expire under UK tax legislation and may be carried forward indefinitely.

The carrying value of the deferred tax asset at 31 December 2021 of $152m ($171m at 31 December 2020) is supported by estimates of the Ithaca Group's position of future taxable income, based on the same price and cost assumptions as used for the Group's impairment testing. It also reflects investment allowances and expected tax planning opportunities available to the Group. The recoverability of this value is highly sensitive to the assumptions used and any change in those assumptions could impact the recoverability of the asset.

An Energy Profits Levy ("EPL" or "the Levy") was introduced from 26 May 2022 applying a Levy of 25% to profits of oil and gas companies until 31 December 2025 or earlier if prices return to normalised levels. The Levy was further changed from 1st January 2023 increasing the Levy to 35% and extending the period to 31 March 2028 regardless of prices. The Government announced on 9 June 2023 that the EPL would fall away before 31 March 2028 if the average price for both oil and gas fell to $71.40/bbl and 54p/therm respectively for two consecutive quarters. The Levy is charged upon oil and gas profits calculated on the same basis as Ring Fence Corporation Tax ("RFCT") however excludes relief for decommissioning and finance costs. RFCT losses and Investment Allowance are not available to offset the EPL. The impact of the Levy would be to increase the deferred tax liability by $19.8m.

Notes to the financial statements for the year ended 31 December 2021 (continued)

18. COMMITMENTS

Capital commitments related to joint operations	2021 US$'000	2020 US$'000
Capital commitments incurred jointly with other venturers (Company's share)	3,300	4,584

19. PRIOR YEAR RESTATEMENT

On 19 October 2020, amounts owed from fellow group companies with a carrying value and fair value of US$1.6 billion were transferred out of the Company in exchange for the issuance of 500 million £1 shares in the Company's immediate undertaking Ithaca Exploration Limited. In error, neither the investment nor reduction in amounts owed from fellow group companies was recorded in the financial statements for the year ended 31 December 2020.

On 8 November 2019 the Company acquired CNSL. On 31 December 2019, Erskine, Alder and Captain assets were transferred from the Company to Ithaca Energy UK Limited. The Company's portion of the revenue and cost of sales for these assets for the period 8 November until 17 December 2019 was not recorded in the Company's financial statements for the year ended 31 December 2019. Opening 2020 retained earnings has been adjusted to reflect this error.

	As previously presented	Restated	Variance
2020	US$'000	US$'000	US$'000
Amounts owed from fellow group companies	2,492,160	869,072	(1,623,088)
Investments	-	1,611,657	1,611,657
Interest income	(57,157)	(45,725)	11,432

	As previously presented	Restated	Variance
2019	US$'000	US$'000	US$'000
Retained earnings	605,342	650,218	(44,876)
Amounts owed from fellow group companies	2,447,028	2,402,152	44,876

Retained earnings movement is made up of Revenue of $52,725k and Cost of Sales of ($7,849k).

20. BUSINESS COMBINATION

On 30 November 2021, the Group completed the acquisition of an additional 13.3% interest in the Alba field from Mitsui E&P UK Limited. The acquisition comprised property, plant and equipment of $22 million, a working capital creditor of $11 million and a decommissioning provision of $55 million. This resulted in a reverse consideration being paid to the Group, as such the consideration owed from Mitsui to the Group was $55 million. A gain on bargain purchase as been recognised in the P&L for $23.6 million.

The fair value of the oil and gas assets have been determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term commodity prices reflective of market conditions at the completion date, a discount rate based on observable market data and cost and production profiles generally consistent with the proved and probable reserves acquired. The price and the discount rate assumptions are consistent with those applied for the year end 2021 impairment test and the fair values as presented below are final (note 10).

	2021 US$'000
Consideration received	54,503
Property, plant and equipment (note 10)	21,833
Deferred Tax	(8,669)
Working Capital	11,316
Decommissioning provision (note 12)	(55,429)
Gain on bargain purchase	23,554

The gain on bargain purchase has arisen as a result of the increase in the decommissioning cost estimate for Alba from the date of the SPA of 17 September 2021 and the date of completion of the acquisition of 30 November 2021.

21. INVESTMENT

	2021 US$'000	*Restated 2020 US$'000
Balance at 31 December	1,611,657	1,611,657

On 19 October 2020, amounts owed from fellow Group companies with a fair value of US$1.6 billion were transferred out of the Company in exchange for the issuance of 500 million £1 shares in the Company's immediate undertaking Ithaca Exploration Limited. In error, neither the investment nor reduction in amounts owed from fellow Group companies were recorded in the financial statements for the year ended 31 December 2020.

At 31 December 2021, the Company's subsidiary undertakings were:

		Interest %	Country of incorporation
Ithaca Exploration Limited	Direct	100%	UK

Registered address of Ithaca Exploration Limited: 1 Park Row, Leeds, England, LS1 5AB.

The Company is a wholly-owned subsidiary of Ithaca Energy Limited (now Ithaca Energy (E&P) Limited) and is included in its consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

*The restatement of the prior year is explained in detail in note 19.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ithaca Energy (UK) Limited.

The ultimate parent undertaking is Delek Group Limited, an independent E&P company listed on the Tel Aviv Stock Exchange and the ultimate controlling party is Yitzhak Tshuva.

At 31 December 2021, the smallest group for which consolidated financial statements are prepared which include Ithaca Oil & Gas Limited is that of Ithaca Energy Limited (now known as Ithaca Energy (E&P) Limited). A copy of these financial statements can be obtained from 47 Esplanade, St Helier, Jersey, JE1 0BD. The largest group for which consolidated financial statements are prepared is that of Delek Group Limited. A copy of these financial statements can be obtained from 19 Abba Eban Boulevard, POB 2054, Herzlia, 4612001, Israel.

On 9 November 2022, Ithaca Energy plc was admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange. As a result of this, at the point of admission, the smallest group consolidation was updated to include Ithaca Energy plc, and as such, the smallest group for which consolidated financial statements are prepared for the year ended 31 December 2022 is that of Ithaca Energy plc.

Notes to the financial statements for the year ended 31 December 2021 (continued)

23. SUBSEQUENT EVENTS

On 27 February 2022, a conflict broke out between Russia and Ukraine. Following this, numerous governments around the world have implemented sanctions against Russia and Belarus. The Directors have considered the implications of the ongoing conflict on key assumptions and judgements. This consideration has been made on the recognition and measurement of accounting estimates and the related financial statements disclosure. The assessment included specific review of the supply chain, funding sources, customer, credit risk, cyber security, shareholders, and register of bondholders. The assessment concluded that the conflict is not expected to have a significant impact on the Company.

An Energy Profits Levy ("EPL" or "Levy") was introduced on 26 May 2022 applying a Levy of 25% to the profits of oil and gas companies until 31 December 2025. On 17 November 2022 the rate of the Levy was increased to 35% and extended to 31 March 2028. On 9th June 2023 the Government announced a price floor for the Levy, if both oil price and gas price falls below $71.40/bbl and 54p/therm respectively for two consecutive quarters the Levy will fall away, this is not expected to happen prior to 31 March 2028. The Levy is charged upon oil and gas profits,calculated on the same basis as Ring Fence Corporation Tax ("RFCT") however excludes relief for decommissioning and finance costs. RFCT losses and Investment Allowance are not available to offset the EPL. The impact of the Levy would be to increase the deferred tax liability by $19.8 million.

On 3 May 2023, the NSTA granted approval for the transfer of the working interest in the following assets into the Company and on 1 June 2023 the transaction to transfer 14.4% of Harrier and Stella from Ithaca Minerals (North Sea) Limited was executed. Following this approval, assets will be transferred at market value.

On 12 July 2023, the Group announced the signing of a Sale and Purchase with Spirit Energy Resources Limited, the result of which is Ithaca Energy will become the sole owner of the Fotla discovery following completion of the acquisition of the remaining 40% stake. As part of the Sale and Purchase agreement, Ithaca has also increased its interest in three exploration licences (P.213 Area C, P.345 Area A and P.2536). Completion of the acquisition is subject to the satisfaction of certain conditions including regulatory approval. Upon completion it will bring Ithaca's working interest in Fotla to 100%, giving the Company full control over pre-final investment decision (FID) work and timing.